

September 26, 2024

For Immediate Release

Real Estate Investment Trust Securities Issuer:
 Advance Residence Investment Corporation
 (Securities Code : 3269)
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Asset Management Company:
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Notice Concerning Acquisition of Real Estate Trust Beneficiary Interest in Japan
(RESIDIA Itabashi)

ITOCHU REIT Management Co., Ltd. (IRM), the asset management company to which Advance Residence Investment Corporation (ADR) entrusts the management of its assets, announced its decision today to have ADR acquire an asset located in Japan (hereafter, the “Acquisition”) as detailed below as part of ADR’s growth strategy. In addition, the seller of the Acquisition falls under the category of an interested party, etc. as defined in the Investment Trust and Investment Corporations Act (Act No.198 of 1951; as amended, the “Investment Trusts Act”), and also falls under the category of an interested party under the internal rules of IRM, and therefore, IRM has obtained the prior consent of ADR based on the approval of its Board of Directors.

1. Summary of the Acquisition

Property Name (Type of asset)	RESIDIA Itabashi (Beneficiary Interests in Trust)
Acquisition Price ^(Note 1) (Price / Appraisal ratio)	1,958 million yen (96.0%)
Appraisal Value ^(Note 2)	2,040 million yen
NOI Yield ^(Note 3)	4.1%
Yield after Depreciation ^(Note 4)	3.4%
Building Age ^(Note 5)	7.5years
Seller	ITOCHU Corporation
Broker Availability	None
Scheduled Contract Date	September 26, 2024
Scheduled Acquisition Date	April 17, 2025 or a date to be separately agreed upon with the seller
Acquisition Financing (Payment Method)	Borrowings and cash on hand (Lump-sum payment on delivery)

(Note 1) “Acquisition Price” refers to the purchase price written in the beneficiary transfer agreements for the asset-to-be-acquired and does not include various expenses needed for the acquisition such as taxes and public dues.

(Note 2) “Appraisal Value” of the asset-to-be-acquired is as of August 1, 2024.

(Note 3) “NOI Yield” is calculated as follows: annualized NOI written in the appraisal document at the time of the acquisition of the asset-to-be acquired and calculated using direct capitalization method / acquisition price x 100. The calculated yield is rounded at the second decimal point.

(Note 4) “Yield after Depreciation” is calculated as follows: (annualized NOI written in the appraisal document at the time of the acquisition of the asset-to-be-acquired and calculated using direct capitalization method – annual depreciation cost) / acquisition price x 100. The calculated yield is rounded at the second decimal point. As in the case with the existing portfolio of ADR, the depreciation cost of the assets-to-be-acquired is calculated by ADR, using the straight-line method

under certain assumptions and estimated at 14,451 thousand yen a year.

(Note 5) "Building Age" is the age of the building as of the date of this document and is rounded at the second decimal point.

2. Reason for the Acquisition

IRM decided on the following acquisition pursuant to the target and policy of asset management as stipulated in the Articles of Incorporation of ADR, for steady increase in asset size and diversification and enhancement of the portfolio. The decision to acquire this property was based on an evaluation of Features of the Property, etc., as stated in "3. Summary of the Asset-To-Be-Acquired".

In the real estate trading market, the supply of new, high-quality rental housing in good locations is limited, and the trading prices of properties in central metropolitan areas, where stable rental demand can be expected, continue to remain high, creating a difficult acquisition environment.

In this environment, ADR has decided to acquire the property developed by IRM's sponsors, ITOCHU Corporation. The Building Age of the Asset-To-Be-Acquired is 7.5 years, which is much lower than the average Building Age of the entire portfolio of 17.2 years ^(Note6) as of the fiscal period ended July 31, 2024.

(Note 6) The Average Building Age for the entire portfolio is the weighted average Building Age of the properties in the portfolio, weighted by Acquisition Price and rounded to the second decimal place.

3. Summary of the Asset-To-Be-Acquired

Property Name		RESIDIA Itabashi	Property Number	T-191
Type of asset		Beneficiary Interests in Trust		
Trustee		Sumitomo Mitsui Trust Bank, Limited (planned)		
Trust Contract Period		From April 17, 2025 to April 30, 2035 (planned)		
Address		1-5-6, Itabashi, Itabashi-ku, Tokyo		
Land	Type of Ownership	Ownership	Zoning	Neighborhood commercial district category 2 residential district
	Land Area	604.49 m ²	FAR / Building Coverage Ratio	300%/80% 300%/60%
Building	Structure / Floors	Reinforced concrete structure with a flat-topped roof; 8 stories		
	Type of Ownership	Ownership	Use	Apartment, store
	Total Floor Space	2,136.12 m ²	Construction Completion Date	April 12, 2017
	Building Designer	Matsuo Construction Co., Ltd. First-class Architect Office		
	Structural Engineer	Kanda Tetsuyoshi Design Studio Co., Ltd. First-Class Architect Office		
	Construction Contractor	Matsuo Construction Co., Ltd. Tokyo Branch		
	Building Certification Agency	Away Building Evaluation Network, Inc.		
Building Inspection Agency	Away Building Evaluation Network, Inc.			
Collateral	None			
Appraisal value	2,040,000 thousand yen	Appraisal date	as of August, 1, 2024	
Appraiser	Japan Real Estate Institute			
Property Management Company	ITOCHU Urban Community Co., Ltd.(planned)			

Master Lessee	ITOCHU Urban Community Co., Ltd. (planned)			Master Lease type	Pass-through
Lease Conditions					
Total Tenants	1	Point in Time		As of August , 31, 2024	
Leasable Units	60				
Leased Units	59				
Leasable Floor Area	1,702.26 m ²	Occupancy Rate (based on floor area)		98.5%	
Leased Area	1,677.01 m ²				
Total Monthly Rent	7,854 thousand yen				
Deposits, Guarantees, etc.	24,005 thousand yen				
Number of Units by Type (Excluding Operated Rental Residence)	Single	Compact	Family	Large	Other
	59	0	0	0	1
Number of Operated Rental Residence	0				
Features of the Property					
<ul style="list-style-type: none"> • This property is conveniently located just a 2-minute walk from Shimo Itabashi Station on the Tobu Tojo Line, and with access to three stations and three train lines within walking distance, and has excellent access to central Tokyo, so demand from single adults working in central Tokyo can be expected. • This property is located along Shimo Itabashi Street, which is lined with a variety of shops, making it a convenient place to live. 					
Special affairs					
None					
Summary of Building Conditions Investigation Report					
Investigator	Tokio Marine dR Co., Ltd.		Investigation Report Date	August 14, 2024	
Emergency Repair Costs	-				
Short-term Repair Costs (within 1 year)	-				
Long-term Repair Costs (within 12 years)	37,609 thousand yen				
Building Replacement Price	551,000 thousand yen				
Summary of Earthquake Risk Analysis					
Investigator	Tokio Marine dR Co., Ltd.		Investigation Report Date	August 14, 2024	
Probable Maximum Loss Ratio (PML)	6.2%				
Matters concerning Earthquake Resistance, etc.					
This property has been notified of the structural calculation conformity assessment by the designated structural calculation inspection institute in accordance (Japan Housing Finance Agency) with the revision of the Building Standard Act that came into effect in June 2007.					

Please refer to “Notes and definitions on items on the tables in the press releases for asset acquisition” on ADR’s website for details on items on the above table.
[\(https://www.adr-reit.com/en/ir/news/\)](https://www.adr-reit.com/en/ir/news/)

4. Financial Impact on ADR in the Event of Failure to Fulfill Forward Commitment, etc.

Beneficiary Interests in Trust transfer agreements (hereafter, the “Agreement”) for the asset-to-be-acquired constitutes a forward commitment, etc.^(Note7) by an investment corporation defined in the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc. published by the Financial Services Agency.

The Agreement provides that if ADR or the seller violates a provision of the Agreement, the counterparty has the right to terminate the Agreement and claim an amount equivalent to 20% of the transaction price of the asset-to-be-acquired as penalty, and even if damages exceeding such penalty arise due to the termination of the Agreement, neither party can claim any amount beyond the penalty. Likewise, if the damages are less than the penalty amount, neither party can claim a reduction of the penalty.

However, ADR is not obliged to pay penalties to the seller for the expiration or cancellation of the Agreement except where ADR is at fault.

(Note7) Refers to a postdated sales agreement under which payment and property delivery shall be made at least one month after the conclusion of the agreement, or any other agreement similar thereto.

5. Summary of the Seller

Name	ITOCHU Corporation
Address	3-1-3 Umeda, Kita-ku, Osaka City, Osaka
Representative	Keita Ishii, President and Chief Operating Officer
Principal business	ITOCHU is involved in domestic trading, import/export, and overseas trading of various products such as textile, machinery, metals, energy, chemicals, food, general product, realty, information, insurance, logistics, construction, and finance, as well as business investment in Japan and overseas.
Capital	253,448 million yen (as of March 31, 2024)
Data of establishment	December 1, 1949
Total assets	14,489,701 million yen (as of March 31, 2024)
Total capital	5,992,121 million yen (as of March 31, 2024)
Major shareholders and Shareholding ratio	The Master Trust Bank of Japan, Ltd. (Trust Account) (16.09%) etc. (as of March 31, 2024)
Relationship with ADR and IRM	
Capital relations	As of the end of July 2024, the company owns 2.4% of ADR's outstanding shares. In addition, as of today, the company directly owns 80.0% of the total number of IRM's outstanding shares, and indirectly owns 20.0% of the total number of IRM's outstanding shares through the company's wholly owned subsidiary, ITOCHU Real Estate Development Co., Ltd
Personnel relations	As of today, the following number of IRM's executives and employees have been dispatched or seconded from the company. 1 full-time board member 2 part-time board member 1 seconded employees
Business relations	The company has entered into an agreement with ADR and IRM concerning preferential negotiation rights. The following is a summary of specified asset sales transactions, etc. for the fiscal period ended July 31, 2024. Bought amount 7,558 million yen, 4 properties /Sold amount 0 yen
Related parties' status	Although the company is not a related party of ADR, it is a parent company of IRM and therefore a related party of IRM under the Regulations for Consolidated Financial Statements.

6. Status of the Seller

Status of Property Owners, etc.	Previous owner, etc.	The time before last owner, etc.
Name	ITOCHU Corporation	Other than those with a special interest
Special Interests. Relationship with a certain person	Interested party as defined in the internal rules of IRM	-
Background and reason for acquisition, etc.	Rental residence development objectives	-
Acquisition Price	Omitted for development purposes	-
Acquisition period	(Land) October 2015 (Building) April 2017	-

7. Transactions with Interested Parties, etc.

ITOCHU Corporation, the seller for the Acquisition, falls under the category of an interested party, etc. as defined in the Investment Trust Act and the internal rules of IRM. Therefore, IRM has obtained ADR's prior consent based on the approval by ADR's Board of Directors.

In addition, ITOCHU Urban Community Co., Ltd., which is scheduled to be the master lease and property management company for the asset-to-be-acquired, falls under the category of an interested party under the IRM's internal rules. Therefore, IRM has gone through the necessary deliberation, resolution and other procedures as stipulated in the internal rules.

8. Summary of the brokerage

Not applicable.

9. Outlook

The impact of this Acquisition on the earnings forecasts for the 29th fiscal period (from August 1, 2024 to January 31, 2025) and the 30th fiscal period (from February 1, 2025 to July 31, 2025), published in the Brief Summary of Financial Results dated September 17, 2024, will be negligible, and no change will be made to the forecast.

10. Summary of the Appraisal Report

Property name	RESIDIA Itabashi
Appraisal Value	2,040,000 thousand yen
Appraiser	Japan Real Estate Institute
Appraisal date	as of August, 1, 2024

(thousand yen)

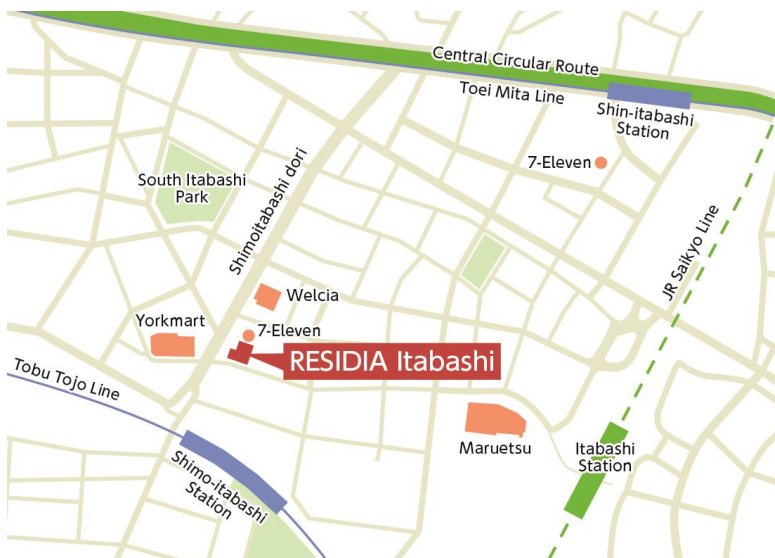
Items	Value	Summary
Income Capitalization Approach Value	2,040,000	Estimated the income value of the subject property by relating the income value obtained by the DCF method to the income value obtained by the direct capitalization method.
Direct Capitalization Price ((6)/(7))	2,060,000	
(1) Total Potential Income	96,518	
Total Potential Income	100,240	
Rental income	95,868	Appraised, taking into account the rent based on the current lease agreement and the rent that would be paid if the subject property were newly leased, etc.
Other income	4,372	Key money and renewal fee income is recorded based on an assessment of the average annual turnover rate of tenants and the average contract period. Additionally, antenna income and other revenues are recorded.
Losses from Vacancies, etc.	3,722	Recorded after assessing a stable mid- to long-term Occupancy rate level based on the occupancy status and supply-demand trends of similar properties, as well as the occupancy status and future trends for the subject property.
Losses from Delinquencies	0	The Company determined that no recording is required, taking into account the situation of the lessee and other factors.
(2) Expenses from rental business	16,189	
Maintenance and Management Fees	3,000	The amount is recorded in consideration of the individual characteristics of the subject property, with reference to past performance figures and the level of similar properties.
Utilities Costs	1,100	The amount is recorded with reference to the actual results of past fiscal years and taking into consideration the level of similar properties and the individual characteristics of the subject property.
Repair Costs	1,758	In addition to the restoration costs based on the level of restoration costs normally incurred and the lessor's share of such costs, repair and maintenance costs were recorded by taking into consideration the actual amounts in previous years, the level of similar properties, and the annual average of repair and renewal costs in engineering reports, etc.
Property Manager Fees	1,630	Recorded with reference to the remuneration rate based on the terms of the scheduled contract, etc., and taking into consideration the remuneration rate for similar properties and the individual characteristics of the subject property.
Leasing Expenses	3,083	Administrative fees required when recruiting new tenants, with reference to contract terms and lease terms of similar properties, and advertising expenses, etc., with reference to actual results of previous years, and renewal fees, etc., taking into account the average annual replacement rate and occupancy rate, etc.
Taxes and Public Dues	4,953	Recorded based on tax and public dues related documents, etc.
Insurance Premium	115	Recorded in consideration of premiums based on insurance estimates and premium rates for buildings similar to the subject building.
Other Expenses	550	Town council fees, etc. are recorded.
(3) Net Operating Income (NOI, (1)-(2))	80,329	
(4) Earnings from Deposits	233	Appraised by multiplying the amount obtained by multiplying the occupancy rate by the number of months of stable security deposits over the medium to long term, and then by the assumed investment yield of 1.0%.
(5) Capital Expenditures	2,194	The appraisal was made based on the assumption that the expected future expenditures would be accumulated on average each period, taking into account the level of Capital Expenditures of similar properties, Building Age, and the average annual amount of repair and renewal expenses in the engineering report, etc.
(6) Net Cash Flow DCF Price ((3)+(4)-(5))	78,368	
(7) Cap Rate	3.8%	Appraised by adding/subtracting the spread resulting from the subject property's location, building conditions, and other conditions to/from the standard yield of each area, and also by taking into account future uncertainties and transaction yields on similar properties, etc.
DCF price	2,020,000	
Discount Rate	3.6%	Appraised by comprehensively taking into account the individual characteristics of the subject property, etc., with reference to the investment yields, etc., in transactions with similar properties.
Terminal Cap Rate	3.9%	Appraised by comprehensively considering future trends of investment yields, riskiness of the subject property as an investment, general forecasts of future economic growth rates, and trends of real estate prices and rents, etc., with reference to the transaction yields of similar properties.
Cost Approach Value	1,840,000	
Land ratio	74.2%	
Building Ratio	25.8%	
Other items considered by the appraiser in the appraisal		None

Appendix

Appendix 1. Photos of the Asset-To-Be-Acquired



Appendix 2. Map of the Asset-To-Be-Acquired: 1-5-6, Itabashi, Itabashi-ku, Tokyo



About Advance Residence Investment Corporation

Advance Residence Investment Corporation is the largest J-REIT specializing in residential properties and is managed by ITOCHU REIT Management Co., Ltd. (IRM), the asset management company of the ITOCHU Group, investing in over 280 rental apartments located mostly in central Tokyo and in other major cities throughout Japan (AUM over 490 billion yen). ADR can be expected to have a stable dividend in the long-term and can be considered a defensive J-REIT, on back of the stable income from residential assets and with the largest dividend reserve among J-REITs.

"Advance" is the common brand name of the real estate investment corporation managed by ITOCHU REIT Management Co., Ltd.

ADR's website: <https://www.adr-reit.com/en/>

IRM's website: <https://www.itc-rm.co.jp/en/>